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UNITED STATES  
INTELLIGENCE  
BOARD

**National Intelligence  
Bulletin**

State Dept. review completed

DIA review(s) completed.

**Top Secret**

28 August 1974

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**No 631**

**Page Denied**

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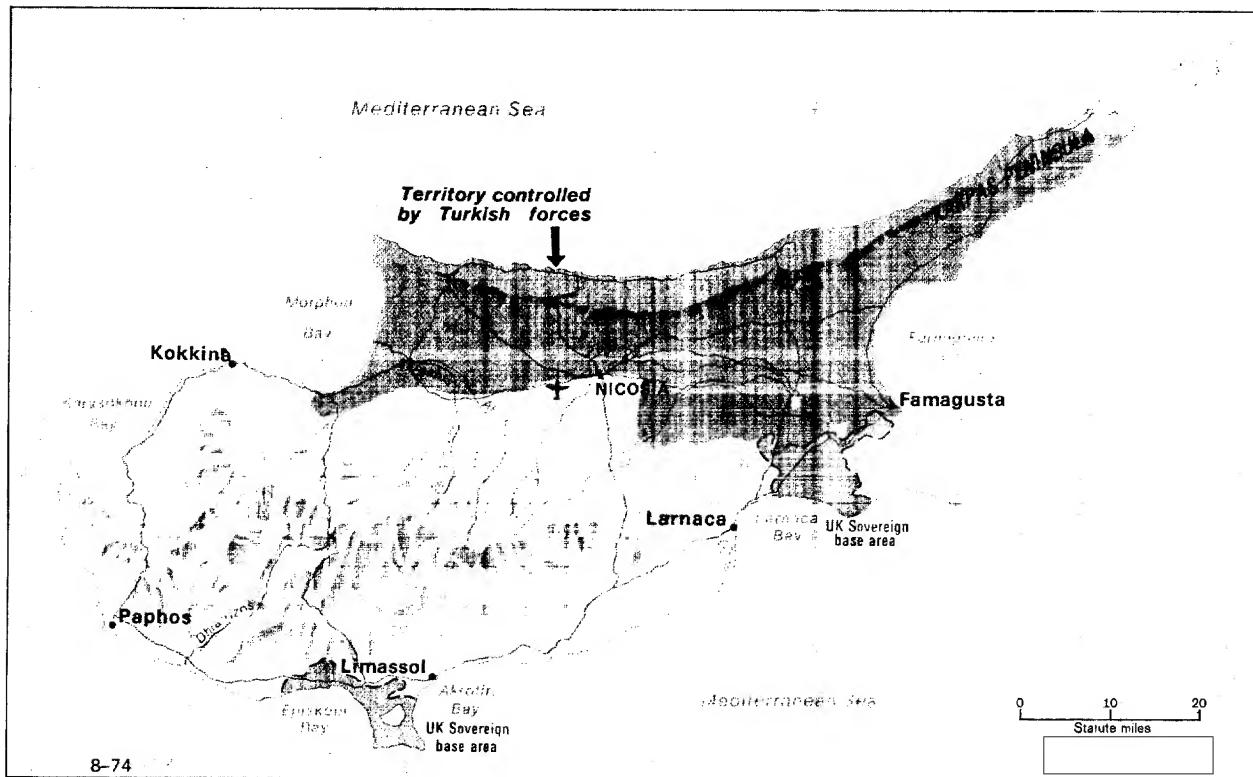
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GREECE-TURKEY-CYPRUS

The Turks are moving ahead with plans to create an "Autonomous Turkish Republic of Cyprus." Turkish Cypriot leader Denktash said yesterday that a constitution for such a republic is ready and that he expects some 30 nations to recognize the new state. Denktash set no date for proclaiming an independent state, continuing to tie the proclamation to the possibility of Greece's taking the Cyprus issue to the UN General Assembly in September.

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UN Secretary General Waldheim continues to express hope that a common ground will be found that will permit peace talks to begin, despite the wide gaps he found between the Greeks and Turks. He has touched base in Athens, Ankara, Nicosia, and London and is expected to report the findings of his trip to the Security Council today. Waldheim believes that the first order of business is to reach agreement on a new mandate for the UN peace-keeping force on Cyprus. He wants to update the mandate, which expires in December, to reflect the new situation on Cyprus. The Cypriot UN delegation, meanwhile, has requested a special meeting of the Security Council to take up the refugee problem.

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Acting Cypriot President Clerides announced yesterday that his government has accepted the Soviet proposal to bring the Cyprus issue into a UN framework. Almost simultaneously, the Turks announced their rejection of the proposal, although they praised the Soviets for their "constructive attitude."

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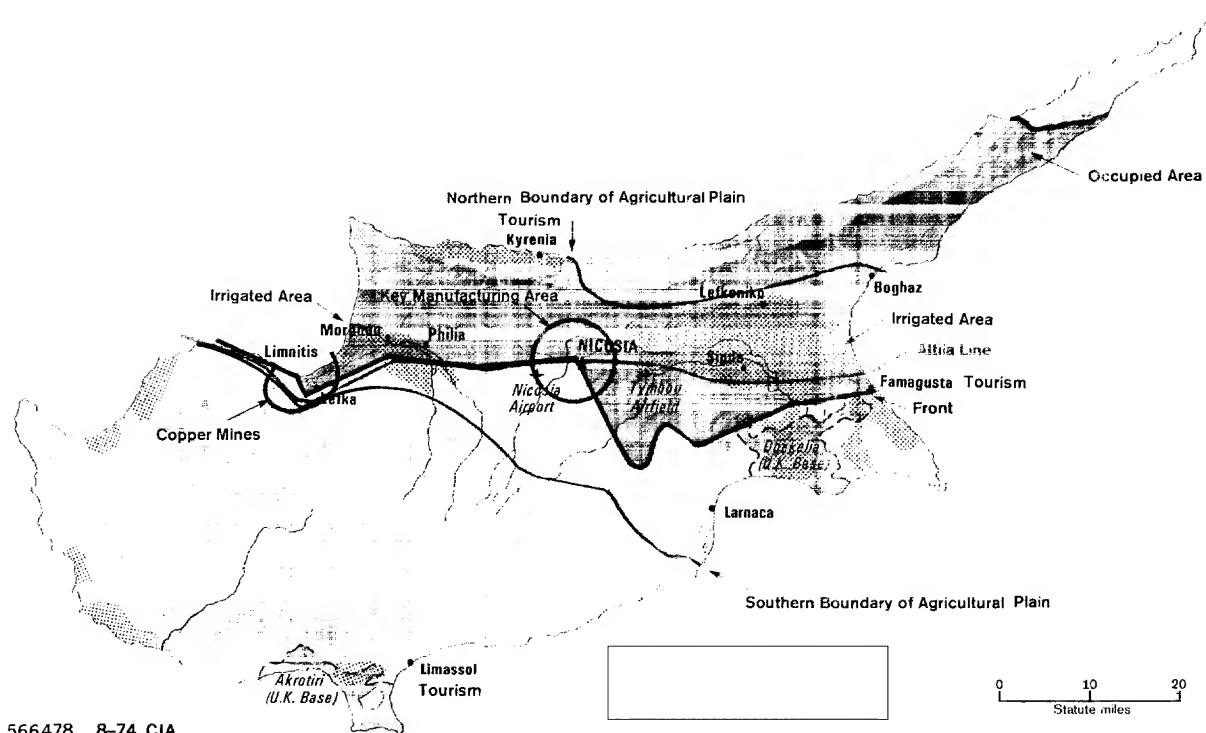
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CYPRUS

In capturing about 40 percent of Cyprus, Turkey has gained control of almost all of the island's important economic resources. Permanent partition along the present cease-fire lines would place the majority Greek population--about 80 percent of the total--in an economically untenable situation.

Cyprus' key agricultural, mining, manufacturing, and tourist centers are all in the Turkish zone. This zone has accounted for considerably more than half of the economic activity on the island. Greek Cypriots have fled to the mountainous, least productive areas. Still in Greek Cypriot hands are the Limassol tourist and commercial area, the port of Larnaca, and the Troodos highlands, where grazing and olive, wine, and grape production are the chief occupations.

The Turkish-controlled zone includes land devoted to wheat, barley, vegetables, potatoes, and citrus fruits. Cyprus, already dependent on imports for 40 percent of its food supply, consumes all domestically grown wheat, barley, and vegetables.

More than half of the producing areas for these foods, accounting for about 65 percent of Cypriot agricultural output by volume, are under Turkish control. They occupy almost all of the agricultural areas that are permanently irrigated.

Turkish forces also control large sections of the copper-producing region surrounding the city of Xeros. This area, encompassing the Mavrovouni and Skouriotissa operations of the US-owned Cyprus Mines Corporation, accounts for two thirds of Cypriot mineral production and 70 percent of mineral export earnings. The Greeks retain some copper resources as well as important iron pyrite deposits south of the Turkish-occupied zone.

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The Turks occupy much of the principal manufacturing district surrounding Nicosia in addition to the popular Kyrenia and Famagusta tourist areas. While destruction in these areas has not been extensive, the massive dislocation of workers and the absence of tourists have brought economic activity to a standstill.

Outside the occupied zone, fires caused by Turkish bombing have destroyed a large part of southwestern timber lands. Resulting watershed deforestation will threaten the island's already scarce water supply. Water shortages, normal occurrences before the war, are now severe. Crops have not been irrigated in over a month, and livestock is reported to be dying of thirst in large numbers.

The invasion has had a devastating impact on Greek Cypriots, causing an estimated 100,000 to 200,000 to flee their homes and businesses. Greek Cypriot authorities give preliminary estimates of their losses as follows:

- construction, \$125 million;
- tourism, \$36 million;
- industry, \$18 million;
- agriculture, \$8-10 million;
- lost working days, \$18 million.

This totals over \$200 million and the final figures will probably be much higher.

While Ankara remains flexible, present Turkish plans seem to call for a formalization of the Attila line. Should there be an extensive exchange of population formalizing the departure of Greek Cypriots and the inflow of Turkish Cypriots from the occupied zone, the land gained by Turkish Cypriots in the northeast portion of the island would be much greater than that abandoned in the southwest.

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It is unlikely that the area left to Greek Cypriots could support the additional 150,000 refugees who might have to be resettled there. Since food supplies already are inadequate, heavy reliance on foreign food aid will be necessary. Lacking significant manufacturing, agricultural, mining, and tourist activity, the Greek-held areas face extensive underemployment and massive emigration.

Ankara is likely to consolidate its gains in the northeast by pouring considerable investment into the mineral, tourist, petroleum refining, and service industries. The Turkish Cypriot population, which formerly enjoyed a per capita income only half that of Greek Cypriots, would profit from the realignment.

The military expedition, which has cost Turkey an estimated \$370 million, would be compensated by the creation of the robust Turkish Cypriot economy and elimination of an annual \$22-million welfare payment made by Ankara to support the Turkish enclaves. [redacted]

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FRANCE

President Giscard d'Estaing in a speech last night called for an EC summit sometime before the end of the year to promote West European unity.

He said the US lack of concern for Western Europe during the change of administrations and the failure of President Ford to mention Europe in his first speech illustrate Europe's need to rely on itself. Giscard added that Europe's inability to influence events on Cyprus, even though both Greece and Turkey are associated with the EC, also shows the need for greater European unity.

Giscard's comments about the US reflect, at least in part, tactics he feels he must use in carrying the Gaullists along with his more flexible foreign policies. The French President is vulnerable to Gaullist criticism that he and the centrists he has brought into the government are willing to submerge French independence.

The President's speech and a recent talk by Prime Minister Chirac on nuclear policy both suggest Giscard will at least publicly stick to traditional Gaullist tenets. Behind the scenes, however, the Giscard team may be quietly laying the groundwork for significant changes. If his predecessors had spoken yesterday, they would have said that the US actions make clear the need for increased French independence. Giscard took a step in another direction, calling instead for greater European unity.

Giscard may also think that using the anti-American line will help prod his European neighbors toward greater unity. President Pompidou tried a similar tactic when Western Europe was incensed over US handling of the Middle East war last October. West Europeans in general have been unhappy with the US position on the Cyprus crisis, and Giscard apparently hopes that these feelings will encourage them to work together to resolve the difficult problems of moving toward European unification.

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NORTH VIETNAM

A recent article in North Vietnam's army newspaper has registered dissatisfaction with the support of Hanoi's Communist allies.

The article extols the justice and necessity of Hanoi's "liberation war" and categorically states, "Marxists must inevitably support this war." It appears to take several swipes at past or current counsels of restraint from Moscow or Peking and makes a special effort to counter the argument that renewed fighting in South Vietnam would lead to a world war. The article also contends that the "chances for breaking the weak links in the remaining chain of imperialism have increased to an unprecedented degree." This line is a natural follow-on to recent militant Vietnamese Communist propaganda stressing "new opportunities" for gains in the South.

The article clearly was not presented as a final, authoritative party pronouncement. It was unsigned and has not been broadcast or printed in the party newspaper. It was, however, cast in a format usually reserved for important statements. In the past, the North Vietnamese leadership has been fairly united in questioning the commitment of Peking and Moscow.

The article could be intended as justification for the increased level of military activity now under way in the South and, perhaps, as a warning that Hanoi intends to fight the war on its own terms. Although the article stops short of any specific criticism of the level of Chinese or Soviet military deliveries, this support is believed to have declined considerably since the cease-fire. It is also possible, therefore, that the article could be related to a new North Vietnamese effort to gain increased military aid from one or both of its major allies.

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### ICELAND

After several weeks of negotiations, the conservative Independence Party and the moderate Progressives reached agreement yesterday on a coalition government. The new government will be headed by the chairman of the Independence Party, Geir Hallgrímsson, who is pro-US and favors retention of the US-manned Keflavik base, probably with some modification of the present agreement.

The new coalition will have 42 seats in the 60-seat parliament and each party in the coalition will choose four cabinet ministers. Progressive Einar Agustsson retains his post as foreign minister and provides continuity as chief negotiator on the base question. Unlike past base negotiating sessions, when Agustsson was buffeted between moderates in his own party and leftists in the Communist Party, he may now be able to settle down to useful talks.

The new government may still require a US response to the stringent demands for personnel reductions put forward last April by the previous coalition. There have been indications that Reykjavik would not insist on such changes, but so-called "non-negotiable" demands will probably remain. These include the hiring of more Icelandic nationals at the base, on-base housing for all US military personnel, and separation of civilian and military facilities at the airport.

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USSR - EASTERN EUROPE

The intelligence community has concluded that the large number of aircraft reported flying over Budapest in late July and early August reflected a heavy influx of tourists to resort areas on the Black Sea coast and were not military in nature.

In mid-July, just after the eruption of war on Cyprus, Western attachés in Budapest began reporting that, starting on July 11, large numbers of turboprop aircraft had been observed flying in a southeasterly direction over that city. Many of the aircraft were flying at lower than normal altitudes--6,000 to 8,000 feet. These developments, along with reports of tensions between the Soviet Union and Romania and rumors of a Bulgarian buildup near the Greek-Turkish border, suggested the possibility that a clandestine military airlift was under way.

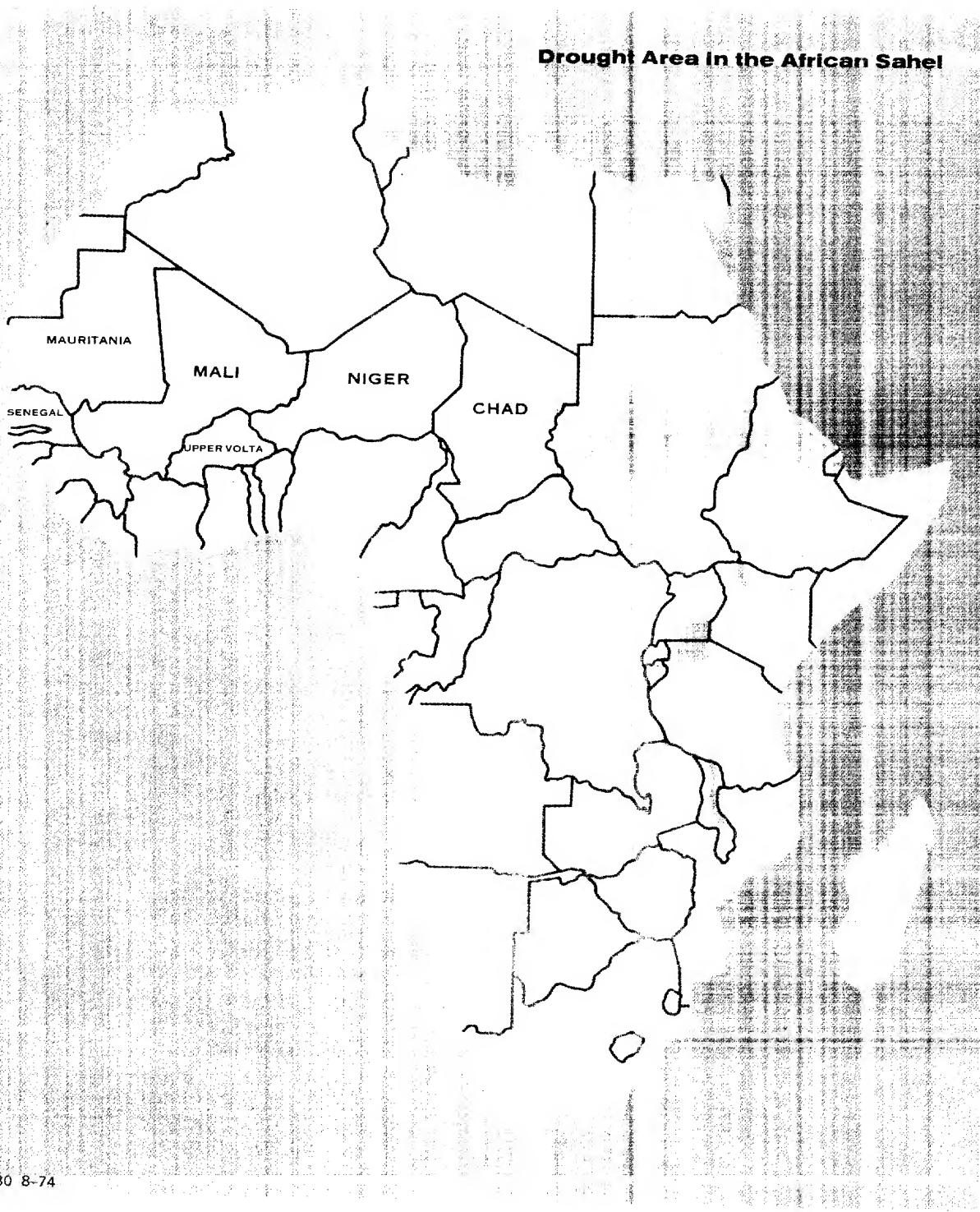
Several factors argued against the flights being military, however. Through late July and early August, intensive efforts failed to turn up evidence of any unusual military activity. Furthermore, it seemed unlikely that a clandestine airlift would be conducted during both day and night over a large population center at low altitudes. In the absence of other indicators, an increase in tourist flights seemed to be the most plausible explanation, but the lower altitudes remained a problem.

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Attachés posted at airports near the resorts observed large numbers of civil and charter aircraft arriving during the day and night. [redacted] more than two million tourists were expected through the summer season, with a large percentage arriving by air.

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Drought Area In the African Sahel



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AFRICA

Recent rains in the Sahel are proving to be a mixed blessing for the Africans affected by the six-year drought, the longest ever recorded in the area. Except in Mauritania and northern Senegal, rainfall was adequate last month and so far this month. If rainfall continues to be significant through September, this year's harvest could improve substantially over the last.

On the other hand, heavy rainfall has caused serious flooding in some parts of the Sahel, particularly in Mali and Niger. The US embassies in these countries have reported numerous drownings and heavy damage to crops, livestock, and housing. The rain has also washed away roads, isolated communities, and hampered relief operations.

Even with ideal conditions, the October harvest will not eliminate the need for food donations next year. Requirements for grain aid, however, will be below the one million tons that will be delivered by November 1974.

Foreign food donations since 1972 have averted the threat of mass starvation and substantially reduced malnutrition in the Sahel. Although there are no reliable statistics, the drought has been the cause of many deaths in the past three years, mostly among nomadic herdsmen. The most severely affected countries have been Mauritania, Mali, Upper Volta, Niger, Chad, and Senegal.

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FOR THE RECORD



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**Korea:** The Seoul government has decided to proceed with a scheduled working-level session with North Korean Red Cross officials on August 28, despite its continuing denunciation of the Kim Il-song regime for the attempt to assassinate President Pak. The overriding consideration in approving the meeting was a belief that--on the eve of the UN General Assembly session, at which Korea will be an issue--the South might suffer diplomatically if it appeared unwilling to continue the two-year dialogue with the North.

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